Secure Alaska's Future: *Oil*

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Alaska as a Storehouse:

Hydrocarbons

North Slope

- The North Slope is a massive hydrocarbon basin near existing infrastructure.
    - **OIL:** There are 40 billion barrels of oil on the North Slope and Outer Continental Shelf *(USGS estimates).*
    - **GAS:** There are 236 trillion cubic feet of natural gas on the North Slope and Outer Continental Shelf *(USGS estimates).*
- Alaska has huge potential for unconventional resources, including tens of billions of barrels of heavy oil, shale oil, and viscous oil.

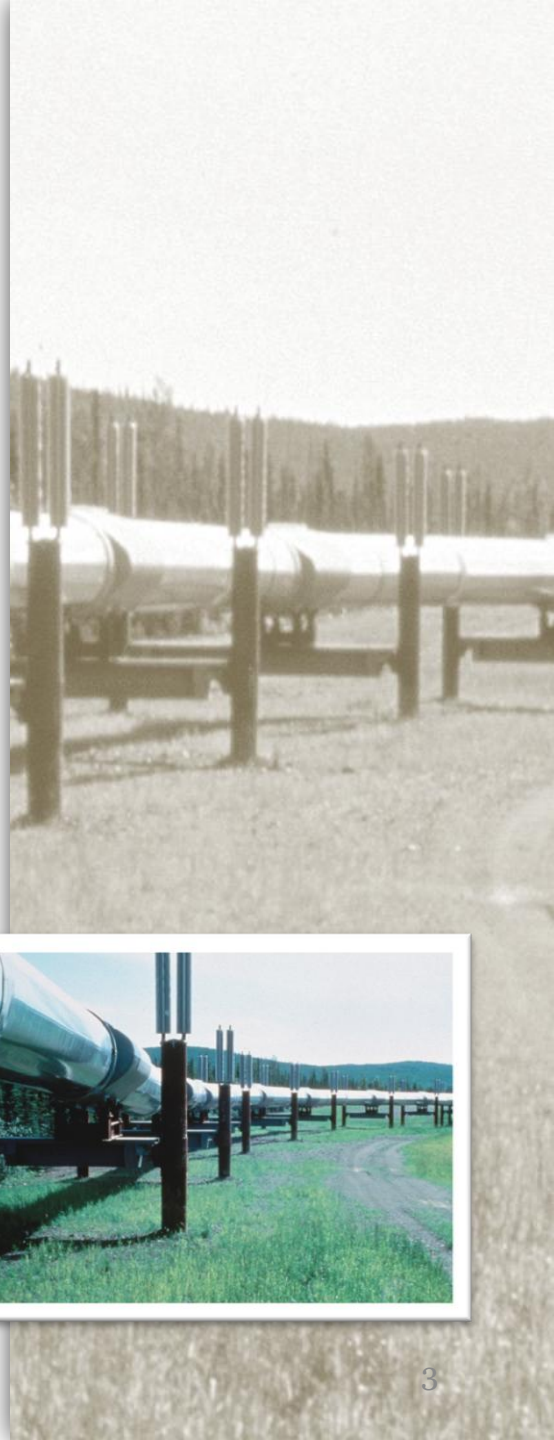
Cook Inlet

- The USGS estimates (2011) that mean undiscovered volumes of the following resources remain to be found in the Cook Inlet:
    - 600 million barrels of oil
    - 19 trillion cubic feet of natural gas
    - 46 million barrels of natural gas liquids
- In June 2011, the State of Alaska received the highest number of Cook Inlet lease sale bids in 28 years, totaling more than $11 million

TAPS:

A Critical National Energy Asset

- The Trans Alaska Pipeline, 11 pump stations, several hundred miles of feeder pipelines, and the Valdez Marine Terminal constitute the Trans-Alaska Pipeline System (TAPS).
- At 800 miles long, the Trans Alaska Pipeline is one of the longest pipelines in the world; it crosses more than 500 rivers and streams and three mountain ranges as it carries Alaska's oil from Prudhoe Bay to Valdez.
- The U.S. Congress was instrumental in the approval and rapid development of TAPS. Congress approved construction of the pipeline with the Trans Alaska Pipeline Authorization Act of 1973.
- The principle focus of this Act is as relevant today as it was in 1973: *"the early development and delivery of oil and gas from Alaska's North Slope to domestic markets is in the national interest because of growing domestic shortages and increasing dependence upon insecure foreign sources."*
- TAPS has transported over 16.3 billion barrels of oil and natural gas liquids since June of 1977.
- Production peaked at 2.2 million barrels per day in the late 1980s, representing 25% of the U.S. domestic production.



One Million Barrels/Day:

Arresting TAPS Throughput Decline

- Since its peak, however, throughput has steadily declined; today, TAPS throughput averages about 610,000 barrels per day and is declining at 6% per year.
- The pipeline is 2/3 empty.
- TAPS throughput decline threatens economic disruption and the very existence of our pipeline.
- At low throughput levels it takes longer for oil to flow; at lower outside temperatures, significant damages can occur.
- We must encourage industry to invest in exploration and development of conventional and unconventional resources on state and federal land, onshore and offshore.
- TAPS has plenty of capacity for increased throughput.
- Federal officials are interested in making this a national priority.

One Million Barrels/Day:

The State of Alaska's Comprehensive Strategy

I. Enhance Alaska's global competitiveness and investment climate

II. Ensure the permitting process is structured and efficient

III. Facilitate and incentivize the next phases of North Slope development

IV. Unlock Alaska's full resource development potential through partnerships with key stakeholders

V. Promote Alaska's resources and positive investment climate to world markets

I. Enhance Alaska's Global Competitiveness and Investment Climate

- Cornerstone of this strategy is the Governor's Tax Reform
- Enact fiscal modifications to increase Alaska's global competitiveness and increase investment
  - Restructure tax regime for existing units to reduce marginal tax rates at higher prices for production by capping overall production taxes at 50%
  - Incentivize exploration and development in areas outside of existing units
    - Cap overall production taxes at 40% for these new units
- Review and consider royalty modification applications for marginal fields
- Improve infrastructure access and lower cost structure for resource development to more rapidly bring new production to the market
  - Roads to Resources—Construct a road to Umiat

II. Ensure Permitting Process is Structured and Efficient To Accelerate Resource Development

- Make immediate improvements to the review and process for incoming land and water use applications and eliminate the permitting backlog within three years
- Reduce permitting costs by streamlining the permitting process
- Recommend a comprehensive suite of regulatory and statutory reforms designed to provide regulatory certainty, timeliness, and clarity

- New MLW employees
- High-level permitting task force has already begun work
- Working with the federal government on federal permitting reform

III. Facilitate and Incentivize the Next Phase of North Slope Oil Development

- The next phase of North Slope Development includes:
  - OCS resources
  - Federal onshore resources: NPR-A and ANWR 1002 Area
  - Unconventional resources: heavy, viscous, and shale oil
    - Shale Oil Task Force is looking at infrastructure, permitting reform, water use, and gravel needs
  - Smaller pools of conventional oil

IV. Unlock Alaska's Resource Potential by Promoting Constructive Partnerships

- Establish "Secure Alaska's Future" Council to ensure continued partnership and coordination among stakeholders
- Encourage enactment of TAPSII legislation
- Increase congressional and national support for Alaska oil development
- Seek detailed planning and coordination with the federal government to increase energy development and enhance U.S. national and energy security
- Where federal partnership with Alaska is rejected, continue to vigorously advocate the state's interests to ensure responsible resource development

V. Promote Alaska Resources and Positive Investment Climate to World Markets

- Make the case on the strategic importance of domestic production and Alaska's role
- Promote Alaska to increase investment
- Boost public knowledge about our:
  - Resource base
  - Favorable political and investment climate
  - Strong commitment to environmental protection
  - Desire to welcome the investment needed to increase production of oil, gas, and other resources that are in such high demand